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SUBJECT: AMBASSADOR'S IT SECTOR ROUNDTABLE

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Summary

12. (SBU) Ambassador hosted an information technology (IT) roundtable for the Argentine country managers of IBM, Sun Microsystems, Hewlett Packard, Oracle, Intel, Avaya, Dell, AMD, and Cisco. Company reps noted strong growth over the past five years following Argentina's economic crisis and emphasized Argentina's increasing importance as a regional platform for new IT technology development to support their businesses in other South/Central American countries. They welcomed minimal GoA interference in the IT sector but were concerned at the lack of any defined GoA agenda to promote the sector's long term development, including through education programs. Company reps contrasted the GoA's laissez faire attitude with those of neighboring countries who have placed IT sector advancement among their highest priorities. They responded positively to the Ambassador's offer to arrange a follow-on meeting with Planning Minister De Vido to encourage the GoA to better exploit its competitive advantage in IT services and develop a comprehensive IT sector development agenda. End Summary.

Argentina a Strategic IT Headquarters

13. (SBU) On March 28, Ambassador hosted a roundtable meeting for representatives of U.S. IT companies operating in Argentina, including IBM, Sun Microsystems, Hewlett Packard, Oracle, Intel,

Avaya, Dell, AMD, and Cisco. Company reps agreed that IT sector growth in Argentina has been strong during the past five years of Argentina's post-crisis economic recovery, a recovery in which GDP growth has averaged 8 percent and where an undervalued currency made the technical and creative talent the IT sector requires relatively inexpensive. Many IT companies reported revenue growth rates in the double-digits for the past four years. Cisco reported a 40 percent increase in sales in 2006 alone.

14. (SBU) As domestic inflation progressively erodes Argentina's labor cost advantages and shrinks profit margins, IT company reps emphasized Argentina's strategic importance as a regional platform for new technology development to support their business in other South/Central American countries and in some cases Europe and the U.S. Both Intel and Motorola have opened large software development centers in the city of Cordoba. Avaya (a former division of Lucent Technologies) opened a call center and recently launched its own software "factory" dedicated to IP solutions.

MINIMAL GOA INTERFERENCE - BUT LITTLE STRATEGIC VISION

15. (SBU) In an Argentine economy plagued by increasing levels of government intervention in markets, IT company reps hailed minimal GoA regulation and interference in their sector. However, they also noted the lack of any defined GoA agenda to promote the sector's long-term development, including through education programs. According to company reps, as a percentage of GDP, the IT industry in Argentina represents a low 2 percent, compared to 5 percent in the U.S., 3.7 percent in Europe and 3 percent in Chile.

16. (SBU) The major challenge facing the IT industry in Argentina today, participants agreed, is the increasing difficulty in locating

qualified IT personnel, from call center technicians to software engineers. They called on the GoA to take a more active role in encouraging universities to create new programs and to better tailor existing IT degree programs to provide the IT sector the trained creative talent they need to grow. They also noted the need for individual IT companies and IT associations to encourage the GoA to invest now in the nation's IT future. To this end, Oracle explained that they have developed a training program with the Argentine Ministry of Labor targeting young unemployed Argentines. Company reps contrasted the GoA's laissez faire attitude with those of neighboring countries including Uruguay who have placed the advancement of the IT sector among their highest priorities.

BROADBAND ACCESS

7.(SBU) In response to the Ambassador's question on broadband access, participants noted that an overwhelming 92 percent of broadband subscribers are located in the fiber optic corridor that spans Argentina's three largest cities Buenos Aires, Rosario and Cordoba and includes roughly half of Argentina's 40 million inhabitants. Broadband use is rising rapidly, with a 67 percent increase in the number of private and business sector high-speed subscribers in 2006 alone. Argentina currently has approximately 1.5 million users and service subscriptions are growing 100 percent yearly. Argentine broadband penetration, industry reps noted, lags behind Chile but is ahead of neighboring Brazil.

Embassy Advocacy

18. (SBU) Ambassador appreciated the IT company reps willingness to share their views and concerns and asked how the Embassy could best advocate on their behalf with GoA authorities. They responded positively to the Ambassador's offer to arrange a follow-on meeting with Planning Minister De Vido to push the GoA to consider developing a comprehensive IT strategy.

Comment: A GoA chief Information Officer?

19. (SBU) IT companies in Argentina welcome the GoA's laissez faire treatment of their sector, but recognize that current high levels of growth cannot be sustained absent greater GoA support to promote the sector's long term development, including through education programs. Participants highlighted diffused responsibility for IT sector issues among GoA Ministries and suggested that Argentina would do well to emulate other national efforts and name the government equivalent of a corporate "Chief Information Officer." Post will facilitate meetings for U.S. IT company reps with senior GoA officials, including the Planning Minister, to encourage the GoA to better exploit its competitive advantage in IT services and develop a comprehensive IT sector development agenda.

Wayne